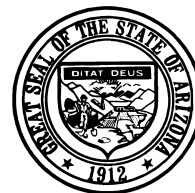


ARIZONA

BINGO REVIEW



Governor Janet Napolitano
Director J. Elliott Hibbs
Deputy Director Gale Garriott
Assistant Director—Audit Division Vincent G. Perez
Internet Address www.revenue.state.az.us
Email Address bingo@revenue.state.az.us
Phoenix Office
1600 West Monroe
Phoenix AZ 85007
Phone 602-716-7801
(Fax 602-364-0086)
Bingo Section Administrator David Manzer
ManzerD@revenue.state.az.us
Revenue Auditor Loraine Mata
MataL@revenue.state.az.us
Administrative Secretary Lupe Bejarano
BejaranoL@revenue.state.az.us
Tucson Office
400 West Congress
Tucson AZ 85701
Phone 520-628-6438
(Fax 520-628-6474)
Investigation Supervisor Antha "Sam" Martin
MartinS@revenue.state.az.us
Investigator Richard Pittman
PittmanR@revenue.state.az.us
Revenue Auditor Gloria Barnhart
BarnhartG@revenue.state.az.us

WHAT'S IN THIS ISSUE

Calling BingoPage 1
Survey Findings.....Page 2
Notice of Prizes.....Page 2
Common Sense Approach to
Complaints of Cheating.....Page 2
Withholding Tax on Winnings
.....Page 3
Donations in Excess of 5% ...Page 3

CALLING BINGO

Over the past few months we have had several questions come up regarding who can call bingo and how it is called. Here are some points to remember.

Generally, any person with an affidavit on file with the Department can call bingo. However, for a Class A licensee there are no special requirements and therefore any person at a Class A game can call it. A caller though needs to have a good understanding of the bingo statutes and the rules of the game to minimize erroneous calls and complaints.

The person calling the bingo balls shall not remove more than one bingo ball at any time from the receptacle. Removing more than one ball at a time is a violation of Rule R15-7-209.C. In addition, doing so will create ill will with the players.

The person calling bingo also needs to allow a reasonable length of time for the players to announce **BINGO**. In larger buildings where there may be more than one room, the caller needs to give the bingo workers enough time to circulate through the players to see if anyone did call **BINGO**. If a bingo worker heard a player announce **BINGO** before the caller initiates the next call but could not notify the caller until after

the caller had already completed the next call, it is a bingo for the first caller even though another player announced **BINGO** on the next consecutive number.

The rules require that no player shall be awarded a prize unless the **BINGO** was announced on the last immediate number called. Because the first player announced **BINGO** on the last number called and was heard by a bingo worker, they win. Putting players in this situation will also upset them.

After a player has announced **BINGO**, a bingo worker shall verify the numbers on the winning card in the presence of a disinterested player. The bingo worker shall call the numbers of the winning combination or bingo pattern except the cover-all. For the cover-all pattern, the bingo worker may call all the numbers not called during the game. When a bingo winner is confirmed, the caller shall announce to the players that there is a winner, then ask if there are other winners. After verification of each bingo winner, the caller shall declare the game completed. The designated prize shall then be awarded. Multiple winners shall share the prize in accordance with R15-7-210.

(Continued on page 2)

ANNUAL CUSTOMER SERVICE SURVEY FINDINGS

The annual survey of licensees has been effective in determining where our strengths and weaknesses lie. The overall average survey rating was 4.76 on a scale from 1 to 5. The survey scores indicate our strengths are in the areas of Courtesy

and Timeliness and that we need to improve on our Access and Quality of Work.. With very few exceptions, most of you are very satisfied with the service we provide.

COMMON SENSE APPROACH TO COMPLAINTS OF CHEATING

"She gives free cards to relatives."

"He calls the numbers his wife needs to win."

"Members always win the big jackpots."

"They have fixed the bingo balls so only certain ones come up."

Do any of these statements sound familiar to you? If they do, here are some suggestions to help reduce many of these complaints:

- Make sure the bingo supervisor for that occasion conducts a pre-game verification in the presence of one or more bingo players. At this time ensure that all the bingo balls are present, that there are no numerical duplications and ask a player to verify that all balls are in good shape.
- Whenever possible, workers should not sell cards to, nor verify the winning patterns for,

spouses or persons with whom they are closely associated. Exercise good common sense when dealing with friends or relatives.

- When the caller pulls a bingo ball, make sure they hold it so the majority of the players can see it clearly.
- Announce to the players that they may verify the bingo balls called or the winning bingo card at any time during the game.
- Make it known that you have extra sets of bingo balls and wash them regularly. If any are damaged, they are replaced.

Calling Bingo

(Continued from page 1)

If during a game of bingo, the caller makes an error in calling the number on a bingo ball or in announcing the number of bingo balls called, the error shall be corrected immediately.

If, as the result of correcting the error, it is found that a player would have announced **BINGO** on the correct number or another number already called, the prize shall be awarded to the winning players as if the correct number had been the last number called. If a player announced **BINGO** as a result of an erroneously called number, the bingo shall be declared invalid and no prize shall be awarded based on the erroneous call.

NOTICE OF PRIZES

Administrative rule, R15-7-219 requires that every licensee must post, in a conspicuous place on the premises, a notice describing the nature and dollar value of each prize offered for every game. To meet this requirement, the department allows bingo licensees to post their prize amounts on a sheet of paper that is given out when the player purchases their cards. That rule obligates you to pay a prize in the amount posted, even if it is greater than the amount you intended to give. Furthermore, if you use another licensee's prize sheet, like your auxiliary, and their prizes are greater than yours, you are required to pay that higher amount. Exercise caution or use your own prize sheet to ensure this doesn't happen to you.

DONATIONS IN EXCESS OF 5% OF NET PROCEEDS

The net proceeds from any game of bingo cannot be used for unlawful purposes. One example of an unlawful use is to make a charitable donation to another nonprofit organization other than your sponsoring or parent organization without first obtaining permission. This is an illegal expenditure unless you first obtain permission from the Department before the donation is made. Arizona Revised Statutes § 5-406 H states:

H. The entire net proceeds of any game shall be devoted to a lawful use or uses. In addition to other unlawful uses, the following are not considered lawful uses under this subsection:

- 1. Compensation and expenses of directors, officers and management personnel.*
- 2. Fees or commissions of consultants.*
- 3. Compensation paid for legal services incurred by a licensee unsuccessfully defending against charges of violations of*

this article.

- 4. Donations to other than national, state or local nonprofit parent organizations in excess of five percent of the net proceeds except with the permission of the licensing authority.*
- 5. Donations or any payment from the lessor to the lessee.*

The purpose of this statute is to make sure the recipient is a legitimate nonprofit organization. After reviewing and approving the request, the Department will notify the licensee in writing and authorize them to report the donation on Schedule II of their next financial report. In short, donations to other charitable organizations are legal if done properly.

WITHHOLDING INCOME TAX ON BINGO WINNINGS

A single bingo prize of \$1,199.99 or less does not require the completion of a Form W-2G or the withholding of federal income tax. A single bingo prize of \$1,200 or more does require the completion of a Form W-2G by the bingo game operator. The winner of a prize of \$1,200 or more must furnish the bingo game operator with proper identification, along with his/her Social Security Number (SSN). Two types of identification (e.g., driver's license, social security card, or voter registration card) should be furnished by the winner to verify his or her name, address and SSN. If the winner does not provide a taxpayer identification number (SSN), the bingo game operator **must** withhold tax (backup withholding) at the rate of 31 percent of the gross winnings.

Example 1: Triple Play, an exempt organization, conducts a weekly bingo game. A payout of \$1,300.00 is made for a single game. The winner, Ms. Lucky, furnishes proper identifying information, along with her SSN to the organization. In this example, the organization must complete Form W-2G, but does not have to withhold any income tax.

Example 2: In this example, Ms. Lucky refuses to provide her SSN, the Form W-2G would be completed without the SSN. Income tax is withheld at the rate of 31% and is reported on Form 945, *Annual Return of Withheld Federal Income Tax*. Note: The winner would receive \$897.00, (\$1,300.00 gross winnings minus \$403.00 for federal income tax withheld).

Exempt organizations must report regular withholding from gaming winnings on Form 945, *Annual Return of Withheld Federal Income Tax*, on line 1. Backup withholding is reported on line 2. Form 945 is filed annually by January 31, of the following year. If the due date falls on a Saturday, Sunday or a legal holiday, the return is due the next business day.

The exempt organization will be held responsible for paying regular gambling withholding or backup withholding, whether or not the exempt organization collects it from the prize winner. The best time to collect withholding or backup withholding is before the prize is paid.

